

State of Michigan
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Department of Environmental Quality



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**Drinking Water Revolving Fund
Final Intended Use Plan
Fiscal Year 1999**

**Prepared by:
Municipal Facilities Section, Environmental Assistance Division
and Drinking Water and Radiological Protection Division
October 1998**

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I. INTRODUCTION

Program details of Michigan's Drinking Water Revolving Fund (DWRF) are set forth in 1994 PA 451, the Natural Resources and Environmental Protection Act, Part 54, Safe Drinking Water Assistance, MCL 324.5401-324.5421.

The Michigan Department Of Environmental Quality (DEQ), through the Environmental Assistance and Drinking Water and Radiological Protection Divisions, administers the DWRF. In addition, the Michigan Municipal Bond Authority (The Authority) is charged with administering DWRF funds through 1985 PA 227, as amended, known as the Shared Credit Rating Act.

The DWRF provides low-interest loan financing to qualified water suppliers to finance construction of their waterworks system projects. These may include, but are not limited to new wells, new water treatment plants, storage facilities, upgrades or expansions, transmission lines, pumping facilities, and other related waterworks system improvements. Suppliers must meet federal and state program requirements, as well as demonstrate their ability to publicly finance their project.

The DWRF is a state-managed program. This Intended Use Plan (IUP) describes how the DEQ and the Authority will jointly administer the DWRF during Fiscal Year (FY) 1999. The Municipal Facilities Section (MFS) of the Environmental Assistance Division (EAD) is charged with carrying out the program administration responsibilities. The Drinking Water and Radiological Protection Division (DWRPD) will assess project priority, issue necessary state permits, and offer technical review/assistance throughout project planning, design, and construction phases. Financial administration of the program will be handled by the staff of the Authority.

The administrative contacts for the DWRF are:

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The EPA-Region 5 staff will offer guidance and conduct annual program oversight reviews to strengthen the management of the DWRP and to help ensure consistent application of federal requirements. The EPA serves as a helpful partner in creating and maintaining this program.

The relationship between the DEQ, the Authority, and the EPA is established in an Operating Agreement signed by authorized signatories from each agency. The Operating Agreement is incorporated into this IUP by reference and is available from the DEQ upon request.

This IUP includes detail on specific project funding and amounts to be set aside from federal capitalization grants for other uses authorized under the federal Safe Drinking Water Act (SDWA) And Part 54. A Public Hearing for the draft IUP and the draft Project Priority List (PPL) was held on August 18, 1998 at 1:30 p.m. in the G. Mennen Williams Auditorium in Lansing, Michigan.

The DEQ certifies that it is recognized by the EPA as the primary agency for management of the drinking water program. The priority system was developed and will be carried out each fiscal year by staff of the DWRPD. The priority system is designed to provide assistance to those projects which will have the greatest impact in facilitating safe drinking water supplies. It is important to ensure that the technical expertise developed by this staff will be used to assess project priorities.

II. STRUCTURE OF THE DWRP

It is the state's intent to operate the DWRP within a financing structure similar to the State Revolving Fund (SRF). For water suppliers who are municipalities with bonding authority, this presents no significant challenges. The DWRP will sell tax-exempt revenue bonds to provide money which will be used to reimburse communities for incurred costs. As the DWRP reimburses suppliers, federal funds from the capitalization grant and state funds from the grant match will be transferred into a debt service reserve account to provide coverage for the leveraged bond issue. As the DWRP project construction progresses, project funds will be disbursed to the supplier from the bonds sold.

However, for water suppliers who are non-municipal entities, limitations on private activity for tax-exempt issues will require the DEQ and the Authority to fund private water suppliers from money drawn directly into the DWRP from federal capitalization grants and their corresponding state match moneys. There will be no difference seen by these non-municipal suppliers. Loans from the DWRP will still be offered under Part 54, 1994 PA 451 to any qualified water supplier who meets all other criteria for receiving funds. This strategy, however, avoids contamination of the tax-exempt bond issue with private activity uses.

There will be a provision for subordinate investment of funds between the DWRF and the SRF. This is a new concept which permits the administrators of the two funds to make temporary investments from one fund or the other in the event that moneys are needed to service debt on the state's tax exempt bond issues, cure deficiencies in a fund's reserve accounts, or satisfy other reserve account requirements.

Only those funds periodically released from debt service reserve accounts, supplemental reserve accounts, revenue accounts, or any other account of the fund wherein released moneys may be generated, may be used for the purposes of subordinate investment.

At each point that moneys are released, the DEQ and the Authority will undertake a "snapshot" look at both the SRF and the DWRF. For each fund, we will first examine whether we need to service debt or satisfy reserve account requirements within the fund from which the released moneys originated. Next, we will examine the opposite fund for the same conditions. Then, if sufficient moneys are available to satisfy requirements for each fund, the released money will pass completely through and become available for future commitments to new projects consistent with its source.

The schematic design of the flow of funds is included as an attachment to this document. EPA concurred with the concept of subordinate investments between the SRF and DWRF in a letter dated July 8, 1998, from Mr. Gene Wojcik, SRF Program Manager for EPA Region 5.

Set-asides in the DWRF are derived from the overall capitalization grant awarded to the state by the EPA. They are designated for specified uses within the DWRF to address areas of concern included in the reauthorization of the SDWA.

Legal provisions now included in 1985 PA 227 permit the Authority to establish accounts and sub-accounts within the DWRF to track revenues and expenditures for the set-asides. The set-asides for program and other activities will be directly administered by the DWRPD. Staff of the DWRPD will also be responsible for the technical assistance activities, except for those funds made available to subsidize loans to disadvantaged communities. The administrative set-aside will be managed by the MFS.

The following is a list of potential set-asides identified in Section 1452 of the federal SDWA.

DWRF Administration - 4 percent

Technical Assistance - 2 percent

Program Set-asides - 10 percent

- Public Water System Supervision
- Source Water Protection
- Capacity Development
- Operator Certification

Other Activities - 15 percent, not to exceed 10 percent for any one activity

- Loans for Source Water Protection
- Assistance for Capacity Development
- Source Water Assessment (only from FY1997 funds)
- Implement Wellhead Protection

It is imperative to note that the program set-asides require a one-for-one state match, in addition to the regular 20 percent state match calculated on the entire amount of the federal capitalization grant. Thus, money diverted to these set-asides will demand a heavier investment of state or local funds.

III. ADVANTAGES OF THE DWRF

The primary advantage for Michigan water suppliers will be their ability to borrow funds at rates well below market. The DWRF interest rate is established prior to each new fiscal year. As identified in Part 54, 1994 PA 451, determination of the interest rates is based on demand, market conditions, program costs, and future needs. Since a portion of the state match in any given fiscal year may be financed with state Revenue Match bonds, the upcoming year's interest rate must also account for the expense incurred in securing these bonds.

Unlike FY1998, the current PPL includes non-municipal public water suppliers for the very first time. Section 5415(2) allows the DEQ to "annually establish the interest rates to be assessed for projects receiving assistance..." Consequently, the DEQ has studied several options to ensure fair and equitable standards for community water suppliers from both the municipal and non-municipal sectors.

Based on the knowledge that market conditions generally demand higher rates of interest for non-municipal borrowers and on the limitations of having to serve them through a direct, non-leveraged program structure, the director of the DEQ has determined that the DWRF will provide substantially similar subsidy amounts to both municipal and non-municipal borrowers.

In setting the rates for FY1999, the department examined the 20-Bond Index for general obligation municipal bonds to identify current market conditions existing at the time the draft IUP was prepared. Then, to establish a rate of interest for municipal borrowers, the DEQ also considered present and future demand for DWRF assistance and the cost of compliance.

Once a rate was determined for municipal borrowers, the amount of subsidy generated was calculated. The DEQ then looked at the market conditions for non-municipal suppliers through analysis of the rate being offered by lending institutions for comparable commercial loans.

Since many banks use the federal treasury bills (T-bills) as an indicator in setting their rates of interest, the DEQ examined the average T-bill rate for the latest 26 week period corresponding to the municipal bond index. Additional basis points were added to estimate the interest rate at which a commercial loan would be offered to a non-municipal

supplier with solid credit. A DWRF rate of interest was then determined by adjusting the rate until the amount of subsidy became substantially similar, if not identical, to that offered for municipal borrowers.

The actual interest rates for both types of DWRF applicants were announced during the public hearing on the PPL and IUP. The interest rate for municipal borrowers will be 2.5 percent, and for non-municipal entities the rate will be 4.94 percent in FY1999.

Apart from the low interest rate, suppliers also benefit from the DWRF in that they can finance all eligible waterworks system costs. The major benefit results from the fact that water supply financing in the past has always been left to the local units of government or private entities. Historically, there has been no significant state financial assistance available to local officials in meeting water supply needs. The DWRF will provide an on-going source of funding to maintain or improve drinking water quality and public health.

IV. LONG-TERM GOALS

Michigan's DWRF establishes a new funding source designed to protect and preserve public health within the state's boundaries. Michigan's geographical identity as a "Great Lakes" state affords its citizens with an abundant and high quality water resource from which to draw its drinking water. Unlike many states, Michigan water supplies are plentiful and periods of restricted use are few and far between in most communities.

Given our abundant water resource, the greater challenge for water suppliers lies in protecting the high quality of the resource, as well as ensuring that adequate volume and pressure exist to deliver potable water to the customer.

Given the limitations on pooled capital, the DEQ will work toward establishing tighter integration of the federal/state/local partnership. The DEQ continues to examine ways to work together with various federal and state agencies, such as the Rural Utility Service, Housing and Urban Development, and the Michigan Jobs Commission, so that we may collectively fund applicants and maximize use of our capital pool to achieve our stated goals.

Such partnerships will ultimately benefit everyone. Industry, tourism, and day-to-day quality of life are strengthened when our most valuable natural asset is preserved and made available for our use and enjoyment. To this end, Michigan's DWRF seeks the following:

- A. To achieve and maintain state-wide compliance with all applicable state and federal drinking water laws, rules, and standards.
- B. To protect the public health and environmental quality of our state.
- C. To develop and commence source water assessment and wellhead protection programs.
- D. To develop strategies within the DWRF to assist smaller, economically disadvantaged communities in meeting drinking water standards.

- E. To promote the DWRF as a viable tool for use by Michigan water suppliers in financing their waterworks system improvements or upgrades.
- F. To secure Michigan's full share of federal funding and to expeditiously obligate these moneys, along with the state contributions, for the construction of eligible facilities which meet state and federal requirements.
- G. To develop effective partnerships with other federal and state financing sources to promote efficiency in environmental review procedures and coordination of funding.
- H. To develop and apply a capacity assessment program for all new community and nontransient noncommunity water supplies, and to develop a strategy to apply to selected existing systems.

V. SHORT-TERM GOALS

In order to accomplish the long-term goals, we must also focus on more immediate objectives. Therefore, our short-term goals in FY1999 are:

- A. To continue our outreach effort to publicize the DWRF through direct mail, electronic media, newsletter publication, workshops, and direct meetings.
- B. To review and promote the disadvantaged community assistance and streamline the requirements for submitting local user charge information.
- C. To staff up and develop implementation plans for source water protection focused on state-wide surface water assessments and groundwater assessments in areas tributary to the Great Lakes.
- D. To enhance the state's wellhead protection program through the development of a matching grant program.
- E. To identify and establish a technical assistance program for small communities.
- F. To clarify the issue of segmenting versus phasing of projects. Beginning this fiscal year, we will generally segment only those public water supply projects that will exceed 30 percent of funds available. Suppliers requesting that their projects be undertaken over multiple years will be assigned separate project numbers and will be identified as separate, phased projects. Such projects may carry the same population and priority points, but will not be subject to "super prioritization" placing them at the top of the next year's PPL.
- G. To fund projects identified in this IUP, enabling them to proceed during FY1999 with construction of facilities included in their adopted project plans.
- H. To identify stakeholders and invite their participation in the development of administrative rules in FY1999 for conducting capacity assessments of certain public water supplies.

VI. ALLOCATION OF FUNDS

Allocation of funds among eligible uses is based on a three-step process. First, the DEQ identifies the sources of funds and the spending limits for the DWRF within the given fiscal year. Next, a determination of the type and amount of financial assistance necessary for each supplier is made. Finally, funds are allocated among the projects consistent with amounts available and the projects' priority standing. The loan commitments for project funding will not occur until we receive the capitalization grant dedicated to making loans.

The following information reflects the sources of funds identified in House Resolution 4194 for FY1999 appropriations:

From FY1999:

FY1999 Title IX Funds	\$21,583,000
FY1999 State Match (Regular)	\$ 4,316,000
FY1999 Program Set-aside Match (in-kind)	\$ 0
Anticipated Earnings	\$ 600,000
Released Funds (from Debt Service Reserve)	\$ 0
Repayments of Principal to DWRF	\$ 0
Repayments of Interest to DWRF	\$ 0
CARRYOVER - PRIOR UNCOMMITTED MONEYS	<u>\$28,300,000</u>

Total Sources of Funds from FY1999	\$54,799,000
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Total sources of funds available for all DWRF uses are expected to equal \$54,799,000 in FY1999. \$3,388,531 will be distributed through set-asides, and \$5,010,469 will be re-served for "as-bid" increases for fundable projects. Therefore, the amount available for loans to local water suppliers is expected to be \$46,400,000.

For FY1999, the allocation of set-aside funds is proposed as follows:

DWRF Administration	4.0 percent	\$ 863,320
Technical Assistance	2.0 percent	\$ 431,660
Source Water Protection	1.0 percent	\$ 215,830
Capacity Development	2.0 percent	\$ 431,660
Operator Certification	2.2 percent	\$ 474,826
Wellhead Protection	<u>4.5 percent</u>	<u>\$ 971,235</u>
TOTAL PROGRAM SET-ASIDES	15.7 percent	\$3,388,531

The governor of each state may, at his or her discretion, transfer 33 percent of available moneys between the SRF and the DWRF programs. This may occur starting one year after a state receives its first capitalization grant for project funds. Other than the earlier discussion regarding temporary subordinate investments between funds, there is no current plan by the governor to use the transfer powers.

VII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS - SET-ASIDES

The DEQ has established the percentages for using the set-asides based on what it believes is implementable within this fiscal year. The split of moneys is structured to meet not only expected needs (e.g. 4 percent for administration), but also targeted programs to help suppliers prepare themselves to qualify for DWRF loans (technical assistance funds used to defray planning loans).

Proposed Set-Asides from the FY1999 Appropriation - 6 Percent Total

4 Percent Administration	\$863,320
2 Percent Technical Assistance	\$431,660

State Staffing for Program Administration

The DEQ is authorized to expend up to \$863,320 from the FY1999 federal capitalization grant for administration of the DWRF. The department received authorization to add staff in FY1998 for implementation of the DWRF and the new initiatives funded through set-asides, as follows:

DWRF Administration	4 FTEs in the EAD 3 FTEs in the DWRPD
Operator Certification	0 FTEs in the EAD
All other programs funded through set asides, including technical assistance; source water assessments; source water protection (well abandonment); capacity development; and wellhead protection.	7 FTEs in the DWRPD

The department expects additional staffing authorization in FY1999 in addition to the 14 FTEs identified above. The additional staffing will include the following:

Operator Certification	3 FTEs in the EAD
Source Water Assessment	2 FTEs in the DWRPD

TECHNICAL ASSISTANCE

The two percent Technical Assistance set-aside from FY1999 federal funds amounts to \$431,660. The DEQ expects to contract with technical service providers for various types of technical assistance to public water suppliers serving a population less than 10,000 beginning in FY1998 and continuing through FY1999. The technical assistance will include operator training, direct on-site technical assistance for system operation at community and non-community water supplies, and assistance with documents, community plans, and procedures to apply for DWRF assistance. The projected annual amount of the contract is \$175,000.

The DEQ will also use technical assistance set-aside funds to the extent funds are available, to pay for project planning costs for disadvantaged communities with less than 10,000 people who apply for DWRF assistance. The projected amount is \$256,660.

The administration and technical assistance set-asides taken from the FY1998 capitalization grant will be combined with FY1999 set-aside funds for reimbursements expected in FY1999.

Source Water Assessment

The Source Water Assessment set-aside was only available from the FY1997 federal appropriation. Since expenditures are allowed from this set-aside over a four year period, the DEQ's workplans include expenditures for source water assessment during FY1999.

The projected expenditure in FY1999 is \$1.62 million. The remaining source water assessment set-aside will be used in FY2000 and 2001.

Work has begun on source water assessments. The state will submit the program for approval by the EPA by the February, 1999 deadline. Each local health department is contracting for fieldwork, and Michigan State University and the Groundwater Education In Michigan (GEM) centers are under contract at this time.

The Michigan Source Water Assessment program will have to address over 10,000 non-community public water supplies in addition to the estimated 1,500 community public water supplies. Thus, the program must be specific to Michigan's needs, establishing priorities for the work to achieve completion within the permitted time while making use of available resources.

Program Set-Asides - 5.2 Percent

The DEQ intends to begin two new programs and provide expansion of an existing program in FY1999 using three program set-asides. The additional required matching funds will be provided through the Public Water Supply Supervision program from state General Fund and Restricted Fund (Fee) revenue. Following is a breakdown of the \$1,122,316 projected amount:

Capacity Development - three positions have been established for which one has been filled to date. These staff, augmented by contracts for professional services, will be used to initiate the program following issuance of EPA final guidance.

The Michigan Safe Drinking Water Act Amendments of 1998 provide authorization to conduct the program. The amendments allow the department to apply capacity assessment criteria to new community and nontransient noncommunity public water supplies and to selected existing systems under a state strategy. The state already applies capacity development requirements to DWRF applicants.

The department expects to develop administrative rules in FY1999 and identify stakeholders for public participation. Professional services will be particularly valuable in areas where staff lack expertise, such as financial capacity analyses.

Any new program initiatives will be field tested at volunteer public water systems. The projected amount is \$431,660.

Source Water Protection - we have hired one staff and three students to assist with implementation of the abandoned well management program approved by the DEQ in 1998. We have selected three communities to contract for demonstration projects totaling approximately \$127,000.

The demonstration projects will focus on abandoned wells in approved wellhead protection areas. The three communities all have different needs and characteristics. The DEQ will use the information to develop a comprehensive statewide program. The total project amount for this activity is \$215,830.

Operator Certification - The EAD will administer the program through expansion and improvement to the existing waterworks operator certification program.

EPA has published proposed program guidance for public review and comment. Based upon the proposal, the DEQ has estimated the costs to expand the program within two years of issuance of the final guidance in February, 1999. Operator training is also included with this program.

We expect approval of 3.0 additional FTEs in FY1999 to administer the program at an estimated annual cost of \$225,000. The remaining funds (\$249,826) will be used for top priority activities in the program, which may include limited-term staff; a new computer system for record keeping and compliance tracking; new testing requirements and procedures for noncommunity operators and community systems which received a waiver in the past; and purchase of exam materials and grading services through third-party vendors. The projected amount for these program elements is \$474,826.

Wellhead Protection (Section 1452(k)) - 4.5 Percent

The DEQ has new authorization under the Michigan Safe Drinking Water Act Amendments of 1998 to initiate a wellhead protection matching grant program to enhance the existing voluntary state program. The DEQ has hired two staff in FY1998 to administer the program. Administrative rules have been drafted using a stakeholder process. A public hearing on the rules was held in June, 1998.

The grant funds will be matched 100 percent by public water supplies. Thus, 50 percent of costs will be funded by the grant, while the local supplier provides 50 percent from its own resources. The initial emphasis will be upon scientific delineation of wellhead protection areas and obtaining state approval for complete wellhead protection programs. Implementation activities are also eligible, but are a lower priority.

The money will be used for educational materials and training, program staff, and wellhead protection grants. The project amount is \$971,235. By combining some work and funding with that of the source water assessment program, we expect the total wellhead protection grants funding to consume the full amount in FY1999.

VIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS - PROJECT LOANS

Michigan's DWRF will commit loans for qualified projects on the basis of project plans that were submitted to the MFS by May 1, 1998. Plans were reviewed by staff of the DEQ to ensure compliance with Section 5405, 1994 PA 451, before being placed on the PPL and included in this IUP for FY1999.

The DWRF must, to the maximum extent practicable, give priority to projects that:

- address the most serious risks to human health
- are necessary to ensure compliance with the requirements of the federal Safe Drinking Water Act
- assist systems most in need according to the state's affordability requirements

Michigan's priority system takes these factors into account in the assignment of priority points. Acute violations receive a larger number of points than any other category. In fact, standards compliance offers over 41 percent of a project's total possible points. All factors point to the need for the project to comply with federal drinking water requirements, and affordability is addressed by the award of additional points for disadvantaged community status and in the ultimate tie-breaker. Michigan's priority system is detailed in section 5406, 1994 PA 451.

As a result of the DEQ's review, 41 projects totaling \$119.29 million are vying for funding and are, thus, included on the FY1999 PPL. In addition, the PPL also identifies 13 projects and/or segments equaling \$69.36 million which will be considered for funding in the future.

Thus, 54 different projects totaling \$188,645,000 are identified on Part I of the PPL, along with a brief description, their total priority points, population to be served, targeted binding commitment date, and targeted binding commitment amount. Part II of the PPL identifies the appropriate categories in which each project received points.

The FY1999 PPL is included as part of the IUP process, and was presented as part of the public hearing. A separate copy of the final PPL is available from the MFS.

Section 1452(a)(2) of the federal Safe Drinking Water Act requires the state to first make available 15 percent of all funds annually credited to the DWRF for financial assistance to water suppliers serving fewer than 10,000 persons. For FY1999, Michigan must reach or exceed \$8,219,850 to satisfy this requirement. The first three projects currently on the PPL which do not exceed 10,000 persons, and which are expected to proceed in FY1999, would receive \$12.2 million. This amount is well in excess of the small community assistance requirement.

All projects are reviewed and scored based upon the priority system outlined in Part 54. Funds are made available for commitment based on the priority ranking and projects will only be taken out of order to satisfy requirements for small community assistance.

Employing the criteria found in section 5415, 1994 PA 451, the director of the DEQ established the interest rates for both municipal and non-municipal water suppliers, and

these rates (2.5 percent for municipal, and 4.94 percent for non-municipal borrowers) were announced at the public hearing on August 18. The term of the loan will run up to 20 years for most projects. Those suppliers meeting disadvantaged criteria will, however, be able to extend their terms for up to 30 years, if they desire.

Part 54 , 1994 PA 451, also permits suppliers serving less than 10,000 persons to receive reimbursement of project planning costs upon delivery of an approvable project plan to the DEQ. However, municipal borrowing statutes were found to limit any public debt, absent the sale of municipal bonds. Such a sale for reimbursement of planning costs alone would create substantial expense for the water supplier. The DEQ and the Authority are working on this issue. Once resolved, the DEQ will reimburse project planning costs to any future qualifying supplier.

IX. DISADVANTAGED COMMUNITY STATUS

Disadvantaged community status is determined by the DEQ based on information submitted with a supplier's project plan. To qualify, an applicant must first meet the definition of "municipality" found in Part 54. Next, the updated median annual household income (MAHI) of the area to be served must be less than 120 percent of the state's updated MAHI. Finally, the costs of the project must be borne by the customers in the service area. If costs are spread over a larger area, then that area must demonstrate that it meets the poverty or affordability criteria.

Once these conditions are met, a community will be afforded the disadvantaged community status if one of the following is true:

- More than 50 percent of the area to be served by the proposed project is identified as a poverty area by the U.S. Bureau of the Census.
- The updated MAHI of the area to be served is less than the most recently published federal poverty guidelines for a family of four in the contiguous United States.
- The updated MAHI is less than the updated state-wide MAHI and the annual user costs for water supply exceed 1.5 percent of the service area's MAHI.
- The updated MAHI is more than the updated state-wide MAHI and the annual user costs for water supply exceed 3 percent of the service area's MAHI.

The major benefits for qualified communities include extension of loan terms to 30 years, 50 additional priority points, and assistance to help defray the costs of preparing project plans.

A complete discussion of the disadvantaged community status may be found in a guidance document prepared by the department to more fully explain how a supplier can achieve the status and benefit by it.

For FY1999, eight municipal water suppliers qualified as disadvantaged communities. They are Ontonagon, Lake Linden, White Cloud, Mt. Morris, Lexington, Columbiaville, Highland Park, and Marion.

X. EPA AUTOMATED CLEARINGHOUSE ACTIVITIES

The EPA employs an Automated Clearinghouse (ACH) to make disbursements of federal funds to the DWRF. Michigan will comply with this system and deposit funds drawn from it into appropriate accounts set up for the DWRF.

In FY1999, Michigan anticipates drawing capitalization grant funds from the ACH according to the following schedule:

1st Quarter -	\$ 3,381,531	FY1999 set-asides
1st Quarter -	\$20,000,000	FY1998 capitalization grant - project funds
2nd Quarter -	\$32,951,619	FY1998 capitalization grant - project funds
3rd Quarter -	\$0	
4th Quarter -	\$0	

As project costs (or program administrative/set-aside costs) are incurred, one request for disbursement may be submitted by the local project's authorized representative (or state agencies) each month. The request for disbursement of funds will be sent directly to the DEQ, who will then process the request as part of a weekly draw request. Upon delivery to its office, the Authority will execute the fund drawdown electronically by transferring money from the federal ACH and state accounts. These amounts are drawn at 83.3 percent and 16.7 percent, respectively, except for program set-asides which may require different ratios. Where different ratios are required due to additional federal match requirements, the EPA and the state will agree to a negotiated fixed percent to simplify the draw process. Adjustments can be made annually to resolve differences in grant balances.

Moneys will be automatically deposited into the debt service reserve account of the DWRF, while funds are electronically wired to a municipal water supplier's bank from a DWRF account which holds funds from a taxable state issue. For non-municipal water suppliers, the funds will be transferred from direct federal and state capitalization amounts established specifically for the purpose of reimbursing their eligible project costs.

XI. ASSURANCES

The final guidelines from the EPA set forth provisions that the state must provide certain assurances in order to qualify for capitalization grant funding. Such assurances are incorporated into the Operating Agreement and are included here by reference.

XII. PUBLIC REVIEW AND COMMENT

In order to satisfy public participation requirements, the DEQ conducted a public hearing to discuss the IUP on August 18, 1998 at 1:30 p.m. in Lansing, Michigan. This hearing was publicly noticed in the Detroit Legal News, the Lansing State Journal, and the Marquette Mining Journal; posted on the DEQ calendar of events; mailed to all persons and engineering firms on our newsletter mailing list, and individually noticed to each water supplier on the FY1999 PPL. These sources adequately promoted the hearing to ensure maximum public input from those interested in the DWRF. The hearing afforded stakeholders and other interested parties an opportunity to hear and comment on how the

DEQ planned to disburse the DWRP loan moneys. All comments were responded to upon the close of the hearing record.

Questions about the IUP may be directed to:

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XIII. ORIGINATION OF DOCUMENTS

The Chief of the Environmental Assistance Division, Department of Environmental Quality is responsible for issuing the IUP. The IUP and its accompanying information were prepared by the Technical Support Unit, in the MFS. It is a collaborative effort of DWRPD and EAD/MFS staff who provide data for its development. Questions specific to the structure or content of text or numbers may be directed to Mr. Kamppinen's attention at the address listed above.



Michigan Drinking Water Revolving Fund
Final Fiscal Year 1999 Project Priority List By Rank - Project Information

Rank	Proj. No.	Project Name and Description			Population	Total Points	Bind. Comm. Date	Bind. Comm. Amt.
PROJECTS WITH PRIOR YEAR SEGMENTS								
1	7001-02	Wixom	Oakland Co	Seg 2; Dist ext, looping, main ext	11,487	625	03/05/1999	\$7,500,000
1	7001-03	Wixom	Oakland Co	Seg 3; Main ext, ps, tie-in to DWSD	11,487	625	Future	\$6,500,000
2	7023-02	Blissfield	Lenawee Co	New raw water strg/trt resv	3,520	530	Future	\$1,275,000
3	7021-02	Washtenaw Co	Saline	Seg 2; Main repl, looping, press valves, elev strg	7,866	505	05/25/1999	\$2,230,000
4	7010-02	Sault Ste Marie	Chippewa Co	Seg C; repl mains, looping	14,689	340	Future	\$5,920,000
4	7010-03	Sault Ste Marie	Chippewa Co	Seg D; repl mains, looping	14,689	340	Future	\$2,390,000
4	7010-04	Sault Ste Marie	Chippewa Co	Seg E; repl mains, looping	14,689	340	Future	\$7,070,000
5	7039-02	Mt Clemens	Macomb Co	Seg 2; Repl mains	19,426	315	03/05/1999	\$3,600,000
5	7039-03	Mt Clemens	Macomb Co	Seg 3; Repl mains, looping	19,426	315	Future	\$1,500,000
6	7005-02	Lansing Twp	Ingham Co	Seg 2; Repl mains, looping	5,000	305	05/25/1999	\$970,000
7	7024-02	Mt Clemens	Macomb Co	Seg 2; WTP upgrd, disinf	19,426	240	Future	\$2,000,000
PROJECTS WITHOUT PRIOR YEAR FUNDED SEGMENTS								
8	7027-01	Ontonagon	Ontonagon Co	New WTP, conn main, main ext for consolid	3,446	915	09/03/1999	\$9,000,000
9	7012-01	Gogebic Range Water Authority	Gogebic Co	Phase 1; New well fld, conn main, main ext for consolidation	16,265	900	05/25/1999	\$1,500,000
10	7074-01	Gogebic Range Water Authority	Gogebic Co	Phase 2; New well fld, conn main, main ext for consolidation	16,265	900	Future	\$4,510,000
11	7066-01	Ironwood	Gogebic Co	Well field Imp, WTP imp	11,200	665	05/25/1999	\$600,000
12	7048-01	Plainwell	Allegan Co	2 new wells, elev strg, main ext	4,380	605	05/25/1999	\$1,145,000
13	7067-01	Lake Linden	Houghton Co	New well; grnd strg, repl mains	1,517	570	05/25/1999	\$1,140,000
14	7049-01	Kline's Resort	St Joseph Co	Repl mains, elevated storage	400	535	05/25/1999	\$710,000
15	7068-01	Marion	Osceola Co	Repl mains, dist ext, telemetry/power	819	530	09/03/1999	\$1,095,000
16	7046-01	East Jordan	Charlevoix Co	New well, grd strg, repl mains	2,520	520	05/25/1999	\$2,100,000
17	7038-01	Melvindale	Wayne Co	Repl mains, looping	11,216	515	05/25/1999	\$1,100,000
18	7059-01	Holly	Oakland Co	New well, rehab/expnd trt plant, upgrd wtr tower, repl & loop mains	5,595	515	03/05/1999	\$1,415,000
19	7064-01	Eaton Rapids	Eaton Co	Repl mains, dist ext, WTP upgrd	4,733	495	05/25/1999	\$1,900,000
20	7044-01	Lexington	Sanilac Co	Upgrd/Expnd Lake Huron intake, WTP upgrd, dist imp	779	495	05/25/1999	\$2,180,000
21	7008-01	White Cloud	Newaygo Co	Strg tank repl, main repl, looping	1,147	470	09/03/1999	\$785,000
22	7075-01	Lenawee Co	Palmyra Twp	New PWS-(eligible only if EPA issues new policy decision)	465	470	03/05/1999	\$2,200,000
23	7057-01	Fenton	Genesee Co	New grnd strg tank, repair strg tanks, looping	9,363	455	03/05/1999	\$995,000
24	7052-01	China-E China Twp	St Clair Co	New intake, WTP, repl mains	3,402	455	09/03/1999	\$7,360,000
25	7016-01	Oxford Twp	Oakland Co	Tie in to DWSD	2,738	445	05/25/1999	\$2,100,000
26	7058-01	Highland Park	Wayne Co	Sys rehab	20,121	440	05/25/1999	\$5,555,000
27	7062-01	Winslow Mobile Home Park	Ingham Co	Repl dist sys, upgrd wells	250	410	03/05/1999	\$615,000
28	7053-01	Caro	Tuscola Co	Repl dist mains, new well, trans main	4,054	405	05/25/1999	\$1,000,000
29	7056-01	Croswell	Sanilac Co	Dist main repl & looping, rehab trt plant	2,174	395	03/05/1999	\$1,305,000
30	7065-01	Grand Beach	Berrien Co	Repl mains	1,030	395	09/03/1999	\$710,000
31	7019-01	Flint	Genesee Co	Seg 1; Upgrd/expnd WTP	138,450	375	05/25/1999	\$15,000,000
31	7019-02	Flint	Genesee Co	Seg 2; Upgrd/expnd WTP	138,450	375	Future	\$16,005,000
31	7019-03	Flint	Genesee Co	Seg 3; Upgrd/expnd WTP	138,450	375	Future	\$5,875,000
32	7047-01	Decatur	Van Buren Co	Repl mains, pump upgrd	1,760	370	09/03/1999	\$995,000
33	7051-01	Imlay City	Lapeer Co	Repl trans main, looping, new well/power	2,916	370	05/25/1999	\$2,500,000
34	7007-01	Mt Morris	Genesee Co	Dist main repl	3,356	355	03/05/1999	\$550,000
35	7055-01	Columbiaville	Lapeer Co	Dist main repl, looping	934	345	03/05/1999	\$160,000
36	7054-01	Port Sanilac	Sanilac Co	Repl mains, looping, new WTP	768	345	09/03/1999	\$1,570,000
37	7072-01	Detroit	Wayne Co	NE plant chlor sys	3,886,000	325	09/03/1999	\$4,245,000
38	7063-01	Detroit	Wayne Co	Repl mains	1,028,000	325	03/05/1999	\$10,000,000
39	7069-01	YCUA	Washtenaw Co	Phase 2; Repl mains	23,646	315	03/05/1999	\$1,400,000
40	7009-01	Escanaba	Delta Co	WTP upgrd	13,659	315	03/05/1999	\$1,695,000
41	7050-01	White Lake Water Authority	Muskegon Co	Main ext for consol	6,188	305	09/03/1999	\$375,000
42	7036-01	Carrolton Twp	Saginaw Co	Phase 2; repl mains	6,523	305	03/05/1999	\$970,000
42	7037-01	Carrolton Twp	Saginaw Co	Phase 3; repl mains	6,523	305	Future	\$1,015,000
43	7034-01	Washtenaw Co	Saline	New well, fltr	7,866	305	Future	\$3,800,000
44	7045-01	Elk Rapids	Antrim Co	Repl mains	1,626	295	09/03/1999	\$965,000
45	7071-01	Detroit	Wayne Co	Strg resv rehab (2)	3,886,000	225	09/03/1999	\$3,050,000
46	7073-01	Detroit	Wayne Co	Seg 1; Sprinwells WTP filt sys	3,886,000	225	03/05/1999	\$15,000,000
46	7073-02	Detroit	Wayne Co	Seg 2; Sprinwells WTP filt sys	3,886,000	225	Future	\$11,500,000
54	Projects				Total Binding Commitment Dollars			\$188,645,000